

**SOUTH CAROLINA
EDUCATIONAL TELEVISION COMMISSION
COLUMBIA, SOUTH CAROLINA**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS**

***FOR THE YEARS ENDED JUNE 30, 2017
AND 2016***



February 9, 2018

Members of the South Carolina Educational Television Commission
South Carolina Educational Television Commission
Columbia, South Carolina

This report on the audit of the basic financial statements of the South Carolina Educational Television Commission for the fiscal year ended June 30, 2017, was issued by Scott and Company, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

George L. Kennedy, III, CPA
State Auditor

GLKIII/cwc

**SOUTH CAROLINA
EDUCATIONAL TELEVISION COMMISSION**

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	1 - 2
REQUIRED SUPPLEMENTARY INFORMATION:	
MANAGEMENT’S DISCUSSION AND ANALYSIS - UNAUDITED	3 - 10
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statements of Net Position	11
Statements of Activities	12
Fund Financial Statements:	
Balance Sheets – Governmental Funds	13 and 14
Reconciliations of Governmental Fund Balance to Net Position of Governmental Activities	15
Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16 and 17
Reconciliations of the Statement of Revenues, Expenditures and Changes in Governmental Fund Balance to Change in Net Position	18
Notes to Financial Statements	19 – 41
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedules (Non-GAAP Budgetary Basis, Unaudited)	42-43
Notes to the Required Supplementary Information - Unaudited	44-45
Schedule of the South Carolina Educational Television Commission’s Proportionate Share of the Net Pension Liability - Unaudited	46
Schedule of the South Carolina Educational Television Commission’s Contributions – South Carolina Retirement System - Unaudited	47
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	48 and 49
SCHEDULE OF FINDINGS	50 - 52
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	53
MANAGEMENT’S RESPONSE	APPENDIX A



Independent Auditor's Report

Mr. George L. Kennedy, III, CPA
State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Carolina Educational Television Commission (the "Network") as of and for the years ended June 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the Network's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Network's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Network's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above fairly present, in all material respects, the respective financial position of the governmental activities and each major fund of the Network as of June 30, 2017 and 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements of the Network are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the State of South Carolina (the "State") that is attributable to the transactions of the Network. They do not purport to and do not present fairly the financial position of the State as of June 30, 2017 and 2016, the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America and do not include other agencies, divisions, or component units of the State. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that required supplementary information on pages 3-10 and 42-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2018, on our consideration of the Network's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Network's internal control over financial reporting and compliance.

Scott and Company LLC

Columbia, South Carolina
February 9, 2018

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

As management of the South Carolina Educational Television Commission ("the Network"), we provide this Management's Discussion and Analysis of the Network's financial statements for the fiscal year ended June 30, 2017 as a narrative overview and analysis. We encourage readers to consider this information in conjunction with the Network's financial statements, which follow.

This report consists of a series of financial statements, prepared in accordance with the accounting principles generally accepted in the United States. The financial statements presented focus on the financial condition of the Network and the results of its operations.

This discussion and analysis is intended to serve as an introduction to the Network's basic financial statements. The Network's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The *Government-wide financial statements* provide an overview of the Network's operations as a whole. The government-wide financial statements include two statements: the Statement of Net Position and the Statement of Activities.

The *fund financial statements* provide information on the Network's funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the Network's funds are classified as governmental funds. The Network's governmental funds include the General Fund, Non-Federal Grants, Capital Projects and the Education Improvement Act Funds.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements.

The following discussion and analysis of the Network's government-wide and governmental funds financial statements provides an overview of its financial activities for the year. Comparisons to the prior fiscal year are also made.

Statements of Net Position

The Statement of Net Position presents information reflecting the Network's assets, liabilities, deferred inflows and outflows of resources and net position as of the end of the fiscal year. This statement provides the reader with a snapshot view at a point in time. Net position represents the amount of total assets and deferred outflows of resources less liabilities and deferred inflows of resources. Assets and liabilities are shown as current and noncurrent. Current assets are those with immediate liquidity or which are collectible or due within twelve months of the statement date. The Statement of Net Position indicates the funds available for the Network's operation along with liabilities that will come due.

The assets and deferred outflows of resources of the Network exceeded its liabilities and deferred inflows of resources by \$13.6 million at fiscal year ending June 30, 2017 (See Table 1 below for a summary of net position for fiscal years 2016-2017 and 2015-2016).

Condensed Statements of Net Position					
	2016	2017	Increase / (Decrease)	Percent Change	2015
ASSETS					
Current assets, net of prepaid items	\$ 11,095,358	\$ 10,114,269	\$ (981,089)	(8.8%)	\$ 8,371,614
Capital assets, net of accumulated depreciation	19,053,652	19,369,065	315,413	1.7%	20,046,709
Prepaid expenses	251,172	201,744	(49,428)	(19.7%)	439,342
Deferred outflows of resources	953,999	1,984,989	1,030,990	108.0%	836,319
Total assets and deferred outflows of resources	<u>\$ 31,354,181</u>	<u>\$ 31,670,067</u>	<u>\$ 315,886</u>	1.0%	<u>\$ 29,693,984</u>
LIABILITIES					
Current liabilities	\$ 3,984,126	\$ 4,066,907	\$82,781	2.1%	\$ 3,060,202
Noncurrent liabilities	12,460,834	13,660,926	1,200,092	9.6%	11,362,693
Deferred inflows of resources	114,292	385,606	271,314	2374%	934,050
Total liabilities and deferred inflows of resources	16,559,252	18,113,439	1,554,187	9.4%	15,356,945
NET POSITION					
Net investment in capital assets	19,053,652	19,369,065	315,413	1.7%	20,046,709
Restricted for expendable purposes:					
Capital projects	707,517	358,675	(348,842)	(49.3%)	1,019,903
Capital reserve	611,292	1,200,865	589,573	96.4%	93
Unrestricted	(5,577,532)	(7,391,977)	(1,814,445)	(33.0%)	(6,729,666)
Total net position	<u>14,794,929</u>	<u>13,556,628</u>	<u>(1,238,301)</u>	(8.4%)	<u>14,337,039</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 31,670,067</u>	<u>\$ 31,354,181</u>	<u>\$ 315,886</u>	1.0%	<u>\$ 29,693,984</u>

Total assets and deferred outflows of resources of the Network increased approximately \$316,000. This increase is attributed to the increase in deferred outflows of resources and capital assets, net of accumulated depreciation of approximately \$1,031,000 and \$315,000, respectively, offset by decreases in current assets net of prepaid expenses and prepaid expenses of approximately \$981,000 and \$49,000, respectively. Cash and cash equivalents decreased approximately \$785,000 over the previous year. The decrease in cash and cash equivalents can be largely attributed to the increase in payroll expenditures due to the Network taking over the tower operations in the State in FY2017. See Note 5 in the notes to financial statements for more detailed information.

Deferred outflows of resources consists of contributions to the retirement plan after the measurement date, the differences between expected and actual retirement plan experience, and the net differences between projected and actual earnings on plan investments as required by the implementation of GASB Statement No. 68.

The increase of approximately \$83,000 in current liabilities is attributable to an approximate \$132,000 increase in accrued salaries and related benefits and an approximate \$105,000 increase in unearned revenues. Unearned revenues increased as a result of a decrease in expenditures related to the revenue in EIA and non-grant funds. Accounts payable and the current portion of compensated absences decreased by a total of approximately \$154,000. The increase in non-current liabilities of approximately \$1,200,000 is attributed to the aforementioned implementation of GASB Statement Nos. 68 and 71 as well as an increase in the accrued compensated absences and related benefits.

Deferred inflows of resources consist of the Network's proportionate share of the net difference between projected and actual investment earnings for the pension plan and the change in proportionate share of the net pension liability as required by GASB Statement No. 68.

Net position of the Network decreased during the year by approximately \$1,238,000 largely driven by the significant increase in the deferred outflows of resources, deferred inflows of resources and the net pension liability related to GASB Statement No. 68. While there was an increase in spending related to capital projects, the capital reserve fund experienced an increase in funding with a \$1,750,000 appropriation in FY2016-17.

Statements of Activities

This statement represents the program revenues and expenses, as well as any general revenue that the Network receives. The purpose of this statement is to present the reader with information relating to revenues earned and expenses incurred during the fiscal year ending June 30, 2017.

(See Table 2 for a comparison of revenues, expenses and changes in net position for fiscal years 2016-2017 and 2015-2016).

Statements of Activities					
	2016	2017	Increase / (Decrease)	Percent Change	2015
REVENUES					
Program revenues:					
Charges for services	\$ 1,959,583	\$ 1,383,842	\$ (575,741)	(29.4%)	\$ 1,893,365
Operating grants & contributions	7,394,483	7,503,516	109,033	1.5%	7,753,844
Capital grants & contributions	16,666	87,833	71,167	427.0%	189,903
General revenues:					
Contributions	6,244,360	5,758,027	(486,333)	(7.8%)	5,551,938
Gain on sale of capital assets	100,392	23,301	(77,091)	(76.8%)	16,415
Intergovernmental - state agencies	4,821,456	4,821,456	-	-	4,621,844
Capital appropriation	1,000,000	1,750,000	750,000	75.0%	-
Total revenues and transfers	21,536,940	21,327,975	(208,965)	(1.0%)	20,027,309
EXPENSES					
Educational broadcasting:					
Personal services	8,639,993	9,395,251	755,258	8.7%	8,542,950
Pension expense	60,373	297,705	237,332	393.1%	253,845
Other operating costs	10,697,344	10,926,637	229,293	2.1%	10,325,505
Depreciation	1,681,340	1,946,683	265,343	15.8%	1,758,973
Total expenses	21,079,050	22,566,276	1,487,226	7.1%	20,881,273
(Decrease) increase in net position	457,890	(1,238,301)	(1,696,191)	(370.4%)	(853,964)
Net position - beginning of year	14,337,039	14,794,929	457,890	3.2%	15,191,003
Net position - end of year	\$ 14,794,929	\$ 13,556,628	\$ (1,238,301)	(8.4%)	\$ 14,337,039

Charges for services decreased approximately \$576,000 largely due to a decrease in rental fees. There has been a decrease in rent for state-owned property, equipment rentals, and studio and room rentals overall.

General revenue for the 2017 fiscal year totaled approximately \$12.4 million which is an increase of \$187,000. Contributions include direct program support by the ETV Endowment of South Carolina, Inc. (the "Endowment") as well as grants managed by the Endowment. Contributions decreased from the previous year by approximately \$486,000 due to a decrease in the amount of grants distributed. The state's capital appropriation increased by \$750,000.

The Network received a State General Fund Appropriation for fiscal year ("FY") 2016-17 of \$277,532. The Network was also funded through budget provisos and Education Improvement Act funds in the 2016-17 Appropriations Act. Included in intergovernmental – state agency revenue is \$1.4 million received from the Criminal Justice Academy and the Department of Administration under proviso 117.89.

Program revenues for the Network are classified in three categories: Charges for Services, Operating Grants and Capital Grants. Charges for services are received for providing services to the various customers and constituencies of the Network. Operating grants are primarily made up of the Community Service Grants received from the Corporation for Public Broadcasting and private grants. Operating grants are used in the ongoing operations of the Network. Capital grants are related to capital equipment and construction projects.

Program revenue from all sources during the fiscal year totaled approximately \$9.0 million. Effective February 2013, the Network began receiving the lease revenue directly from the lessee pursuant to a proviso. In FY 2015-16, the Network received \$3.4 million related to Proviso 117.80 (Broadband Spectrum Lease). Corporation for Public Broadcasting grant awards decreased by approximately \$513,000 over the previous fiscal year, but is expected to increase in the next fiscal year.

Expenses for the Network are shown under the category of Educational Broadcasting and are classified as Personal Services, Pension Expense, Other Operating, and Depreciation. Personal Service costs were approximately \$9.4 million (42%). Pension expense costs were approximately \$298,000 (2%). Other operating costs totaled approximately \$10.9 million (48%). Depreciation expense totaled approximately \$1.9 million (8%). The Statement of Activities reflects a decrease in net position for the current fiscal year of approximately \$1.2 million.

Total expenses increased approximately 7.1% over the previous fiscal year. Personal services increased by approximately \$755,000 (8.7%). Personal service increases can be attributed to increases in terminal leave, hiring of temporary personnel, and filling vacancies due to the takeover of tower operations for the entire State that occurred in FY2017. Other operating expenses increased approximately \$229,000 (2%). Depreciation expense also increased approximately \$265,000 due to the purchasing of capital equipment.

The Network's net position decreased approximately \$1.2 million from the previous fiscal year as previously mentioned, largely driven by the fact that expenses increased due to the takeover of tower operations in the state.

Budgetary Highlights:

Over the course of the year, appropriations transfers increased the original budget by approximately \$615,000. Changes between original and final budgeted amounts are associated with carryforwards of funds and the transition of the tower operations and management from the Department of Administration to the Network per Proviso 8.4. The Network ended the year with a positive budget variance of approximately \$1.7 million based on actual budgetary basis figures. Actual spending towards the development of long-term contracts and procurement procedures to support the Network's five-year capital plan occurred later in the fiscal year than expected; therefore, expenditures were not as high as budgeted.

Fund Financial Analysis:

The Network uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds:

The focus of the Network's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Network's financing requirements. In particular, the unassigned and restricted fund balances may serve as a useful measure of the Network's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Network's governmental funds reported combined ending fund balances of approximately \$6.9 million, a decrease of approximately \$1.2 million for the year.

Unassigned fund balance accounts for approximately 65% or \$4.5 million, of ending fund balance, and is available for administrative expenditures made in accordance with federal and State regulations.

Restricted fund balance accounts for approximately 23% or \$1.6 million of ending fund balance, and excludes amounts that can only be spent for specific purposes stipulated by the State, external resource providers, or through enabling legislation. The Network's restricted fund balance consists primarily of amounts restricted for capital projects.

Non-spendable fund balance accounts for approximately 3% or \$202,000 of ending fund balance, and represents prepaid items.

Capital Assets

The Network’s Capital Assets net of depreciation were approximately \$19.4 million at June 30, 2017. This investment in capital assets includes land, buildings and improvements, equipment and furniture, vehicles and construction in progress. Table 3 summarizes capital assets at June 30, 2017 and June 30, 2016.

Table 3			
Network Capital Assets	2017	2016	2015
Land	\$ 583,269	\$ 583,269	\$ 583,269
Building & improvements	19,366,492	19,309,952	19,309,950
Equipment & furniture	73,207,054	71,920,451	72,043,010
Vehicles	1,245,491	1,160,599	1,167,086
Construction in progress	17,525	237,951	-
Total cost	94,419,831	93,212,222	93,103,315
Less: accumulated depreciation	75,050,766	74,158,570	73,056,606
Net capital assets	<u>\$19,369,065</u>	<u>\$19,053,652</u>	<u>\$20,046,709</u>

The net increase in the Network’s investment in capital assets for the current fiscal year was approximately \$315,000 and can be attributed to the purchasing of more capital equipment in the current fiscal year.

Economic Outlook

The Network received several grants for programming and education. The CPB Radio Fund Grant total of \$326,000 is for the time period of November 1, 2015 to April 30, 2018. The initial grant was for \$250,000 to support Network Radio reporting on flood coverage, following the aftermath of the 2015 flood. The CPB Radio Flood Grant was extended until April 30, 2018 with an additional \$76,500 grant to cover Hurricanes Matthew and Irma and the ongoing weather events throughout the State. In 2015-16 the Network received a Telehealth grant for \$154,875 from the Medical University Hospital Authority (MUHA) to provide coverage of health related services through telecommunications technologies. In 2016-17 a second Telehealth contract for \$138,842 was awarded to continue the coverage of Telehealth initiatives throughout the State. The Network’s Content production and web teams are responsible for meeting targeted revenue goals. Revenue billings for 2016-17 were \$512,225. The majority of this amount was generated by grants, external clients, state agencies, rental of facilities,

and the Network's Rapid Response Studio (live shots for national news organizations (CNN, MSNBC, Fox News, Bloomberg, NBC, ABC, CBS). Over 140 shots were produced from the Rapid Response Studio in Columbia.

In 2016-17 state funding for the Network for IT broadcast security and transparency increased to \$277,532 and these funds were placed in the General Fund. The Network received a total of \$5,394,281 in EIA funding for education initiatives which included an additional \$190,250 for support of Education's Pre-K-12 web services LearningWhy and Knowitall.org. The Network also received Proviso funding from the Department of Administration and the Law Enforcement Council (Criminal Justice Training Academy) with a combined total of \$1.4 million for emergency communications and transparency. To assist in a homeland security grant, \$41,375 was received from the Criminal Justice Academy to build phase 5 of a public service interoperability radio training web site. The Network continues to receive annual lease appropriations from EBS spectrum holdings of \$3,408,943 million.

In FY 2016-17 the Legislature passed Proviso 8.4 to direct the Network to begin managing licensing contracts for all state towers, not just the towers the Network oversees. This activity was previously handled by the Department of Administration. During 2016-17 the Network developed customer service and administrative support to manage the activity. The 2016-17 annual funding of \$565,000 for staffing and operational support for engineering, building and administrative support for TowerNet as well as \$1,750,000 million non-recurring capital funding will go a long way towards the Network beginning the process to repair and rebuild the statewide aging infrastructure and equipment.

Subsequent to year end, the FCC spectrum funds of \$43,362,610 were transferred over to the Network's capital account from the FCC. Per Proviso 8.2, the Network retained \$35 million of those proceeds and the Network is working closely with the state's procurement office to develop long-term contracts and procurement procedures to support the Network's massive infrastructure for a five-year capital plan. In addition, our engineering team is working on repacking, including procurement of transmitters and other related equipment for 10 TV stations that are required by the FCC to be assigned new channels. Engineering studies have been completed on a number of TV transmitter towers, and repack work is being scheduled for the next three years.

Requests for Information

This financial report is designed to provide a general overview of the South Carolina Educational Television Commission's finances for all of the Network's taxpayers, customers and creditors. This financial report seeks to demonstrate the Network's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the President of the South Carolina Educational Television Commission, 1041 George Rogers Boulevard, Columbia, South Carolina 29201.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**STATEMENTS OF NET POSITION
JUNE 30,**

	2017	2016
	Governmental	Governmental
	Activities	Activities
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,343,064	\$ 9,404,008
Restricted cash	1,595,197	1,318,809
Accounts receivable, net of allowance for doubtful accounts of \$5,000 and \$20,120 at June 30, 2017 and 2016, respectively	176,008	372,541
Prepaid expenses	201,744	251,172
Total current assets	<u>10,316,013</u>	<u>11,346,530</u>
Non-current assets		
Capital assets, net of accumulated depreciation	19,369,065	19,053,652
Total non-current assets	<u>19,369,065</u>	<u>19,053,652</u>
Total assets	<u>29,685,078</u>	<u>30,400,182</u>
Deferred outflows of resources related to net pension liability	1,984,989	953,999
Total deferred outflows of resources	<u>1,984,989</u>	<u>953,999</u>
Total assets and deferred outflows of resources	<u>31,670,067</u>	<u>31,354,181</u>
 LIABILITIES AND NET POSITION		
Liabilities:		
Current liabilities:		
Accounts payable	37,306	107,239
Accounts payable, restricted	35,657	-
Accrued salaries and related benefits	795,921	663,735
Unearned revenue	2,507,166	2,402,049
Current portion of accrued compensated absences and related benefits	690,857	811,103
Total current liabilities	<u>4,066,907</u>	<u>3,984,126</u>
Noncurrent liabilities:		
Accrued compensated absences and related benefits, net of current portion	526,326	383,615
Net pension liability	13,134,600	12,077,219
Total noncurrent liabilities	<u>13,660,926</u>	<u>12,460,834</u>
Total liabilities	<u>17,727,833</u>	<u>16,444,960</u>
Deferred inflows of resources related to net pension liability	385,606	114,292
Total liabilities and deferred inflows of resources	<u>18,113,439</u>	<u>16,559,252</u>
 Net Position:		
Investment in capital assets	19,369,065	19,053,652
Restricted:		
Capital projects	358,675	707,517
Capital reserve	1,200,865	611,292
Unrestricted	(7,371,977)	(5,577,532)
Total net position	<u>\$ 13,556,628</u>	<u>\$ 14,794,929</u>

The accompanying notes are an integral part of these financial statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30,**

	2017	2016
	Governmental Activities	Governmental Activities
Expenses:		
Educational broadcasting:		
Personal services	\$ 9,395,251	\$ 8,639,993
Pension expense	297,705	60,373
Other operating costs	10,926,637	10,697,344
Depreciation	1,946,683	1,681,340
Total program expenses	22,566,276	21,079,050
Program revenues:		
Charges for services	1,383,842	1,959,583
Operating grants and contributions	7,503,516	7,394,483
Capital grants and contributions	87,833	16,666
Net program expenses	13,591,085	11,708,318
General revenues:		
Contributions	5,758,027	6,244,360
Gain on sale of capital assets	23,301	100,392
Intergovernmental - State agencies	4,821,456	4,821,456
Intergovernmental - State agencies - Capital appropriation	1,750,000	1,000,000
Total general revenues and transfers	12,352,784	12,166,208
(Decrease) increase in net position	(1,238,301)	457,890
Net position - beginning of year	14,794,929	14,337,039
Net position - end of year	\$ 13,556,628	\$ 14,794,929

The accompanying notes are an integral part of these financial statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	General	Education Improvement Act	Non-Federal Grants	Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,978,630	\$ 2,852,378	\$ 512,056	\$ -	\$ 8,343,064
Restricted cash	1,200,865	-	-	394,332	1,595,197
Accounts receivable, net	101,250	-	19,594	14,079	134,923
Prepaid expenses	195,294	6,450	-	-	201,744
TOTAL ASSETS	\$ 6,476,039	\$ 2,858,828	\$ 531,650	\$ 408,411	\$ 10,274,928
 LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 35,475	\$ 1,831	\$ -	\$ 35,657	\$ 72,963
Accrued salaries and related benefits	542,077	249,960	3,884	-	795,921
Unearned revenues	-	1,979,400	527,766	-	2,507,166
TOTAL LIABILITIES	577,552	2,231,191	531,650	35,657	3,376,050
 FUND BALANCES:					
Nonspendable					
Prepaid expenses	195,294	6,450	-	-	201,744
Restricted for capital projects/reserves					
Capital reserve	1,200,865	-	-	-	1,200,865
Capital projects	-	-	-	358,675	358,675
Assigned					
Educational improvement	-	621,187	-	14,079	635,266
Unassigned	4,502,328	-	-	-	4,502,328
TOTAL FUND BALANCES	5,898,487	627,637	-	372,754	6,898,878
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,476,039	\$ 2,858,828	\$ 531,650	\$ 408,411	\$ 10,274,928

The accompanying notes are an integral part of these financial statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General</u>	<u>Education Improvement Act</u>	<u>Non-Federal Grants</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 6,254,875	\$ 2,745,373	\$ 403,760	\$ -	\$ 9,404,008
Restricted cash	611,292	-	-	707,517	1,318,809
Accounts receivable, net	196,556	-	140,000	-	336,556
Prepaid expenses	219,962	31,209	-	-	251,171
TOTAL ASSETS	<u>\$ 7,282,685</u>	<u>\$ 2,776,582</u>	<u>\$ 543,760</u>	<u>\$ 707,517</u>	<u>\$ 11,310,544</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 100,475	\$ 6,764	\$ -	\$ -	\$ 107,239
Accrued salaries and related benefits	440,113	216,632	6,990	-	663,735
Unearned revenues	-	1,798,407	603,642	-	2,402,049
TOTAL LIABILITIES	<u>540,588</u>	<u>2,021,803</u>	<u>610,632</u>	<u>-</u>	<u>3,173,023</u>
 FUND BALANCES:					
Nonspendable					
Prepaid expenses	219,962	31,209	-	-	251,171
Restricted for capital projects/reserves					
Capital reserve	611,292	-	-	-	611,292
Capital projects	-	-	-	707,517	707,517
Assigned					
Educational improvement	-	723,570	-	-	723,570
Unassigned	5,910,843	-	(66,872)	-	5,843,971
TOTAL FUND BALANCES	<u>6,742,097</u>	<u>754,779</u>	<u>(66,872)</u>	<u>707,517</u>	<u>8,137,521</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,282,685</u>	<u>\$ 2,776,582</u>	<u>\$ 543,760</u>	<u>\$ 707,517</u>	<u>\$ 11,310,544</u>

The accompanying notes are an integral part of these financial statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**RECONCILIATIONS OF GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30,**

	<u>2017 Governmental Activities</u>	<u>2016 Governmental Activities</u>
Reconciliations to the Statement of Net Position:		
Fund balances of governmental funds	\$ 6,898,878	\$ 8,137,521
Amounts reported for governmental activities in the statement of net position are different because:		
Liabilities are not due and payable in the current period, therefore, are not reported in the funds:		
Accrued compensated absences and related benefits	(1,217,183)	(1,194,718)
Certain accounts receivable are not available for expenditures, therefore, are not recorded as revenues in the governmental funds	41,085	35,985
The net pension liability and related deferred inflows and outflows of resources are not due and payable in the current year and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position:		
Net pension liability	(13,134,600)	(12,077,219)
Deferred outflows of resources for contributions after the retirement plan's measurement date	743,791	658,590
Deferred outflows of resources for differences between expected and actual retirement plan experience	1,241,198	295,410
Deferred inflows of resources for differences between projected and actual investment experience	(14,264)	(21,598)
Deferred inflows of resources for differences in the proportionate share of net pension liability	(371,342)	(92,694)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:		
Capital assets, net of accumulated depreciation	<u>19,369,065</u>	<u>19,053,652</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 13,556,628</u>	<u>\$ 14,794,929</u>

The accompanying notes are an integral part of these financial statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General	Education Improvement Act	Non-Federal Grants	Capital Projects	Total Governmental Funds
REVENUES:					
Contributions	\$ 5,758,027	\$ -	\$ -	\$ -	\$ 5,758,027
Intergovernmental - State agencies	4,821,456	-	-	-	4,821,456
Intergovernmental - Capital appropriation	1,750,000	-	-	-	1,750,000
Program sales	48,091	-	-	-	48,091
Corporation for Public Broadcasting, Inc. grant	1,944,574	-	-	-	1,944,574
Education Improvement Act	-	5,403,539	-	-	5,403,539
Federal Grants	-	-	-	87,833	87,833
Private grants and contracts	-	-	155,403	-	155,403
Charges for services	676,441	-	-	-	676,441
Rental fees	566,124	-	-	-	566,124
Royalties	62,306	-	-	-	62,306
Miscellaneous	25,780	-	-	-	25,780
TOTAL REVENUES	\$ 15,652,799	\$ 5,403,539	\$ 155,403	\$ 87,833	\$ 21,299,574
EXPENDITURES:					
Internal Administration	\$ 2,118,932	\$ 52,539	\$ -	\$ -	\$ 2,171,471
Programs & Services:					
Engineering Administration	332,268	76,303	-	-	408,571
Transmissions & Reception	2,116,869	1,590,263	82,206	-	3,789,338
Communications	870,373	-	-	-	870,373
Education	380,236	1,956,214	-	-	2,336,450
Agency Local Other Education Services	137,534	1,079,379	-	-	1,216,913
Training & Assessment	-	185,051	-	-	185,051
Radio Content	1,812,240	27,042	-	-	1,839,282
National Content	2,463,096	-	-	-	2,463,096
Local & Transparency	3,075,760	563,890	6,325	7,908	3,653,883
Regional Operations	483,695	-	-	-	483,695
Development/Fundraising	424,618	-	-	-	424,618
Underwriting	434,291	-	-	-	434,291
Marketing	22,389	-	-	-	22,389
Capital outlay	1,847,409	-	-	414,688	2,262,097
TOTAL EXPENDITURES	16,519,710	5,530,681	88,531	422,596	22,561,518
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(866,911)	(127,142)	66,872	(334,763)	(1,261,944)
OTHER FINANCING SOURCES					
Proceeds from sale of capital assets	23,301	-	-	-	23,301
TOTAL OTHER FINANCING SOURCES	23,301	-	-	-	23,301
NET CHANGE IN FUND BALANCES	(843,610)	(127,142)	66,872	(334,763)	(1,238,643)
FUND BALANCES - BEGINNING OF YEAR	6,742,097	754,779	(66,872)	707,517	8,137,521
FUND BALANCES - END OF YEAR	\$ 5,898,487	\$ 627,637	\$ -	\$ 372,754	\$ 6,898,878

The accompanying notes are an integral part of these financial statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General	Education Improvement Act	Non-Federal Grants	Capital Projects	Total Governmental Funds
REVENUES:					
Contributions	\$ 6,244,360	\$ -	\$ -	\$ -	\$ 6,244,360
Intergovernmental - State agencies	4,821,456	-	-	-	4,821,456
Intergovernmental - Capital appropriation	1,000,000	-	-	-	1,000,000
Program sales	50,655	-	-	-	50,655
Corporation for Public Broadcasting, Inc. grant	2,457,407	-	-	-	2,457,407
Education Improvement Act	-	4,773,347	-	-	4,773,347
Federal Grants	-	-	-	16,666	16,666
Private grants and contracts	-	-	163,729	-	163,729
Charges for services	731,770	-	-	-	731,770
Rental fees	849,144	-	-	-	849,144
Royalties	62,147	-	-	-	62,147
Insurance claims	143,341	-	-	-	143,341
Miscellaneous	52,212	-	-	-	52,212
TOTAL REVENUES	\$ 16,412,492	\$ 4,773,347	\$ 163,729	\$ 16,666	\$ 21,366,234
EXPENDITURES:					
Internal Administration	\$ 2,063,507	\$ 45,016	\$ -	\$ -	\$ 2,108,523
Programs & Services:					
Engineering Administration	164,413	51,658	-	-	216,071
Transmissions & Reception	2,176,951	1,695,862	3,445	982	3,877,240
Communications	645,377	18	-	-	645,395
Education	254,024	1,967,128	3,202	-	2,224,354
Agency Local Other Education Services	66,162	707,652	750	-	774,564
Training & Assessment	99	195,464	-	-	195,563
Radio Content	1,837,009	-	8,797	-	1,845,806
National Content	1,904,069	-	69,170	-	1,973,239
Local & Transparency	3,926,140	26,112	80,721	-	4,032,973
Regional Operations	458,367	566	-	-	458,933
Development/Fundraising	418,727	-	-	-	418,727
Underwriting	383,005	-	-	-	383,005
Marketing	33,224	-	-	-	33,224
Equipment and materials purchased for resale	2,691	-	-	-	2,691
Capital outlay	452,055	-	-	236,229	688,284
TOTAL EXPENDITURES	14,785,820	4,689,476	166,085	237,211	19,878,592
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,626,672	83,871	(2,356)	(220,545)	1,487,642
OTHER FINANCING SOURCES					
Proceeds from sale of capital assets	100,392	-	-	-	100,392
TOTAL OTHER FINANCING SOURCES	100,392	-	-	-	100,392
NET CHANGE IN FUND BALANCES	1,727,064	83,871	(2,356)	(220,545)	1,588,034
FUND BALANCES - BEGINNING OF YEAR	5,015,033	670,908	(64,516)	928,062	6,549,487
FUND BALANCES - END OF YEAR	\$ 6,742,097	\$ 754,779	\$ (66,872)	\$ 707,517	\$ 8,137,521

The accompanying notes are an integral part of these financial statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**RECONCILIATIONS OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN GOVERNMENTAL FUND BALANCE TO CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30,**

	2017	2016
Reconciliations to the Statement of Activities:		
Revenues and other financing sources (under) over expenditures and other financing uses	\$ (1,238,643)	\$ 1,588,034
Amounts reported for governmental activities in the statement of activities are different because:		
Costs of capital assets are reported as expenditures in the governmental funds, but are recorded as capital asset additions in the statement of net position	2,262,097	688,284
Depreciation of capital assets is reported as an expense in the statement of activities	(1,946,683)	(1,681,340)
Certain receivables are not recorded in the governmental funds because they are not considered available	5,100	(30,377)
Some expenses reported into the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds:		
Proportionate share of pension expense	(297,705)	(60,373)
Change in accrued compensated absences and related benefits	(22,467)	(46,338)
CHANGE IN NET POSITION	<u>\$ (1,238,301)</u>	<u>\$ 457,890</u>

The accompanying notes are an integral part of these financial statements.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the South Carolina Educational Television Commission (the "Network") conform to accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles. The Network's significant accounting principles are described below.

Reporting Entity

The Network is responsible for the administration of the South Carolina Educational Television Commission systems. The Network is an agency of the State of South Carolina established by Section 59-7-10 of the Code of Laws of South Carolina.

The ETV Commission members are the governing body of the Network. There are nine members of the ETV Commission. The Governor appoints a member to the ETV Commission from each Congressional District and a member at-large who serves as Chairman. The State Superintendent of Education serves as an ex-officio member of the Commission.

The funds and account groups of the Network are included in the Comprehensive Annual Financial Report of the State of South Carolina, the primary government. The core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units. The Network has determined it has no component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity.

The primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body, including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary entity that holds one or more of the following powers:

- (1) Determines its budget without another government having the authority to approve and modify that budget;
- (2) Levies taxes or set rates or charges without approval by another government; or,
- (3) Issues bonded debt without approval by another government.

The accompanying financial statements present the financial position and the results of operations of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the Network.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed and are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; the difference between the assets and liabilities is fund balance.

The Network reports the following major funds:

General Fund - The general fund accounts for all activities except those required to be accounted for in another fund. Revenues include the annual state appropriation as approved by the General Assembly, Corporation for Public Broadcasting, Inc. ("CPB") grant funds, program sales, royalties, charges for services, contributions and cost reimbursements. The revenues are used for general ongoing governmental services such as administration, maintenance, program development and production, transmission and reception of programs, and debt service. Program sales revenues report amounts received from State agencies, the ETV Endowment and others for services related to and for support of programming, production and broadcasting of programs. The Network reports as charges for services revenue income from the ETV Endowment primarily for reimbursement of administrative services and other costs and income from State agencies and other entities for services not related to production of programs and for certain equipment.

Educational Improvement Act ("EIA") Fund – This fund is a special revenue fund that generally records the expenditure of revenues and contributions that are restricted to specific programs or projects. Revenues are restricted for certain purposes. The Network received an EIA allocation in the 2015-16 and 2016-17 South Carolina Appropriations Act in lieu of a general fund appropriation. The fund recognizes revenue when the EIA related expenditure is incurred.

Grants Non-Federal – This fund accounts for private grants and is considered a special revenue fund.

Capital Projects Fund – This fund accounts for federal grants, capital related private grants and contracts, funds received from the State from capital improvement bonds and capital reserve fund appropriations and expenditures made from these resources.

Government-wide and Fund Financial Statements

The government-wide financial statements are prepared on the accrual basis of accounting and include a statement of net position, which reports the financial position of the Network. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Measurement Focus, Basis of accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Network uses different availability periods for recognizing these revenues. Grant revenues are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues from sales of goods and services are recognized if received within one month after fiscal year-end. Other revenues are recognized if expected to be collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Network, available means expected to be received within one year of the fiscal year-end.

Nonexchange transactions, in which the Network receives value without directly giving value in return, include grants and contributions. On an accrual basis, revenue from grants and contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Network must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Network on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Capital Assets

Capital assets are recorded at cost at the date of acquisition and acquisition value at the date of donation in the case of gifts. The Network follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements costing \$100,000 or more that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The Network capitalized movable personal property with a unit value in excess of \$5,000 and a useful life in excess of one year and buildings and improvements and intangible assets costing in excess of \$100,000. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Budget Policy

The Network is granted an annual appropriation for operating purposes by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the Department. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds.

The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary units. The South Carolina General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, State General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

Cash and Cash Equivalents

The amounts shown in the financial statements as "cash and cash equivalents" represent petty cash, cash on hand with the State Treasurer, and cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool.

Most State agencies, including the Network, participate in the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds. For credit risk information pertaining to the cash management pool, see the deposits disclosure in Note 3.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The Network records and reports its deposits in the general deposit accounts at cost and records and reports its deposits in the special deposit accounts at fair value. Investments held by the pool are recorded at fair value. Interest earned by the Network's special deposit accounts is posted to the Network's account at the end of each month and is retained. Interest earnings are allocated based on the percentage of the Network's accumulated daily interest receivable to the total income receivable of the pool. Reported interest income includes interest earnings at the stated rate, realized gains/losses, and unrealized gains/losses arising from changes in the fair value of investments in the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the percentage ownership in the pool.

Some State Treasurer accounts are not included in the State's internal cash management pool because of restrictions on the use of the funds. For those accounts, cash equivalents include investments in short-term highly liquid securities having an initial maturity of three months or less at the time of acquisition.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Restricted Cash

The Network's restricted cash consists mostly of amounts restricted by enabling legislation for capital projects namely the renovation of the Telecommunication Center.

Accounts Receivable

Accounts receivable consists primarily of amounts due for sales, services and rentals. The Network established an allowance for doubtful accounts based on historical data and an analysis of the aged receivables at year-end. The balance on the financial statements is presented net of the allowance of approximately \$5,000 and \$20,120 at June 30, 2017 and 2016, respectively.

Prepaid Expenses

Prepaid expenses are accounted for using the consumption method. Prepaid expenses consist primarily of payments made for a contract for the streaming of educational content to K-12 schools through the internet. For fund financial statement purposes, prepaid expenses are offset by a nonspendable fund balance account because the asset does not represent resources available for expenditures.

Compensated Absences

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's working days of the month are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory holiday leave earned for which the employees are entitled to paid time off or payment at termination. The leave liability also includes an estimate for accrued sick leave and leave from the agency's leave transfer pool for employees who have been approved as leave recipients under personal emergency circumstances that commenced on or before June 30, 2017 and 2016. The Network calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded as a liability in the statement of net assets. For governmental activities, compensated absences are generally liquidated by the general fund.

Net Position / Fund Balances

On the government-wide financial statements, the Network reports its net position as net investment in capital, restricted and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is all resources that do not meet the definition of "net investment in capital assets" or "restricted net position".

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

The Network reports fund balance as restricted as defined above. Other constraints in its fund balance in the governmental funds as reported as committed or assigned. Fund balance is reported as committed if the Commission Board of the Network constrains the use of resources. Fund balance is reported as assigned if the fund balance is constrained by the Commission's intent to use the funds for a specific purpose. Committed constraints can be removed only through similar action that created the constraint. Non-spendable fund balance in the governmental funds reflects the lack of availability in form or substance of the assets and liabilities reported in the fund to meet obligations of the fund. Unassigned fund balances are all fund balances that do not meet the definition of "restricted", "assigned" "non-spendable" or "committed".

Non-spendable fund balance in the governmental funds reflects the lack of availability in form or substance of the assets and liabilities reported in the fund to meet obligations of the fund. When both restricted and unrestricted resources (committed, assigned, and unassigned) are available for use, it is the Network's policy to use restricted resources first, then unrestricted resources as they are needed.

Unearned Revenues

Unearned revenues consist primarily of certain private grant contract revenues received before services required by the grantor or donor have been rendered.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Network currently has one type of deferred outflows of resources. The Network reports deferred pension charges in its Statement of Net Position in connection with its participation in the South Carolina Retirement System.

These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Network currently has one type of deferred inflows of resources. The Network reports deferred pension credits in its Statement of Net Position in connection with its participation in the South Carolina Retirement System. These deferred pension credits are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Network recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Network's proportionate share thereof in the case of a cost-sharing multiple employer plan, measured as of the Network's fiscal year-end.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense.

Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

CPB Grants

The Network annually receives a grant from the CPB. The CPB is a non-federal, non-governmental, not-for-profit organization that receives grants from the federal government, the private sector, and other sources. The CPB then allocates grants to public television stations nationwide for community service and these funds are unrestricted for broadcasting operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues and expenses/expenditures and affect disclosure of contingent assets and liabilities at the balance sheet date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. The most significant estimates include in these financial statements are the estimated useful lives of property and equipment and the actuarially calculated net pension liability. Actual results could differ from those estimates.

NOTE 2. STATE APPROPRIATION AND OTHER STATE FUNDING:

The Network received a State appropriation in the 2016-17 Appropriation Act of \$277,532.

The Network received \$1,412,513 in fiscal years 2017 and 2016 from the Criminal Justice Academy and The South Carolina Department of Administration. The budget provision directed the agencies to transfer the funds to the Network.

In 2016-17 and 2015-16, the State Appropriations Act included \$5,576,409 and \$4,829,281, respectively for the Network. EIA funds were transferred to the Network directly by the Department of Revenue.

The Network received a Capital Reserve Fund Appropriation of \$1,000,000 for FY 2015-16. The Network incurred \$388,708 in expenditures in FY 2015-16 and FY 2016-17 and carried forward \$611,199 pursuant to Bill H.3702. The Network received a Capital Reserve Fund Appropriation of \$1,750,000 for FY2016-17. The Network incurred \$1,160,427 in expenditures and carried forward \$1,200,865 cumulatively to 2017-18.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3. DEPOSITS:

All deposits of the Network are under the control of the State Treasurer, who, by law, has sole authority for investing State funds.

The following schedule for fiscal year 2017 reconciles deposits within the footnotes to the financial statement amounts:

<u>Financial Statements</u>		<u>Footnotes</u>	
Cash and Cash Equivalents	\$ 8,343,064		
Restricted Cash	<u>1,595,197</u>	Deposits Held by State Treasurer	<u>9,938,261</u>
Totals	<u>\$ 9,938,261</u>	Totals	<u>\$ 9,938,261</u>

The following schedule for fiscal year 2016 reconciles deposits within the footnotes to the financial statement amounts:

<u>Financial Statements</u>		<u>Footnotes</u>	
Cash and Cash Equivalents	\$ 9,404,008		
Restricted Cash	<u>1,318,809</u>	Deposits Held by State Treasurer	<u>10,722,817</u>
Totals	<u>\$ 10,722,817</u>	Totals	<u>\$ 10,722,817</u>

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agent in the State's name. Information pertaining to reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4. CAPITAL ASSETS:

The following schedule summarizes capital assets activity for the Network for the fiscal year 2017:

	Beginning Balances June 30, 2016	Increases	Decreases	Ending Balances June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 583,269	\$ -	\$ -	\$ 583,269
Construction in progress	237,951	17,525	(237,951)	17,525
Total capital assets not being depreciated	<u>821,220</u>	<u>17,525</u>	<u>(237,951)</u>	<u>600,794</u>
Other capital assets:				
Buildings and improvements	19,309,952	56,540	-	19,366,492
Equipment and furniture	71,920,451	2,341,090	(1,054,487)	73,207,054
Vehicles	1,160,599	84,892	-	1,245,491
Total other capital assets	<u>92,391,002</u>	<u>2,484,522</u>	<u>(1,054,487)</u>	<u>93,819,037</u>
Less accumulated depreciation for:				
Buildings and improvements	7,781,650	570,143	-	8,351,793
Equipment and furniture	65,324,745	1,328,987	(1,054,487)	65,599,245
Vehicles	1,052,175	47,553	-	1,099,728
Total accumulated depreciation	<u>74,158,570</u>	<u>1,946,683</u>	<u>(1,054,487)</u>	<u>75,050,766</u>
Other capital assets, net	<u>18,232,432</u>	<u>537,839</u>	<u>-</u>	<u>18,768,271</u>
Total capital assets, net	<u><u>\$19,053,652</u></u>	<u><u>\$ 555,364</u></u>	<u><u>\$ (237,951)</u></u>	<u><u>\$19,369,065</u></u>

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4. CAPITAL ASSETS (continued):

The following schedule summarizes capital assets activity for the Network for the fiscal year 2016:

	Beginning Balances June 30, 2015	Increases	Decreases	Ending Balances June 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 583,269	\$ -	\$ -	\$ 583,269
Construction in progress	-	237,951	-	237,951
Total capital assets not being depreciated	<u>583,269</u>	<u>237,951</u>	<u>-</u>	<u>821,220</u>
Other capital assets:				
Buildings and improvements	19,309,952	-	-	19,309,952
Equipment and furniture	72,043,010	425,477	(548,036)	71,920,451
Vehicles	1,167,086	24,855	(31,342)	1,160,599
Total other capital assets	<u>92,520,048</u>	<u>450,332</u>	<u>(579,378)</u>	<u>92,391,002</u>
Less accumulated depreciation for:				
Buildings and improvements	7,211,662	569,988	-	7,781,650
Equipment and furniture	64,794,485	1,078,296	(548,036)	65,324,745
Vehicles	1,050,461	33,056	(31,342)	1,052,175
Total accumulated depreciation	<u>73,056,608</u>	<u>1,681,340</u>	<u>(579,378)</u>	<u>74,158,570</u>
Other capital assets, net	<u>19,463,440</u>	<u>(1,231,008)</u>	<u>-</u>	<u>18,232,432</u>
Total capital assets, net	<u>\$20,046,709</u>	<u>\$ (993,057)</u>	<u>\$ -</u>	<u>\$19,053,652</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$1,946,683 and \$1,681,340, respectively. Construction in progress consisted of costs incurred for renovations to the Networks' TCC Radio Studio at June 30, 2017, and costs incurred for engineering equipment not yet placed into service at June 30, 2016.

Pursuant to Proviso 73.18 of the 2004-05 Appropriations Act, the Network transferred ownership of land and buildings to the State under the control of the Department of Administration effective July 1, 2004. The State considers these assets to be owned by the Network for reporting purposes. The Network is responsible for all costs of maintaining the properties including the costs of insurance.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5. LEASES AND LICENSES:

Operating Leases

The Network conducts part of its operations from leased facilities which include towers and office space. The Network also leases mailroom equipment and copiers. All leases are with external parties. These leases began expiring with fiscal year 2017 and continue through fiscal year 2021. The Network has the option to renew the tower leases upon the expiration of the lease term under conditions agreeable to both parties which primarily is an increase in the lease payment based on the CPI index. All leases with terms of more than twelve months are cancelable without penalty to the Network should the General Assembly not provide funding for these leases. The Network also leases equipment on a month-to-month basis. In the normal course of business, operating leases are generally renewed or replaced by other leases.

The Network is responsible for maintenance on most leased property. Rental payments under all operating leases totaled approximately \$326,000 and \$317,000 for the years ended June 30, 2017 and 2016, respectively.

At June 30, 2017, the Network's obligations under non-cancelable operating leases having remaining terms in excess of one year are as follows for fiscal years ending June 30,

2018	\$ 125,156
2019	43,930
2020	43,930
2021	1,942
Total	<u>\$ 214,958</u>

The Network subleases various properties to third parties. Under these lease agreements for the fiscal years ended June 30, 2017 and 2016 the Network received rent of \$136,181 and \$144,899, respectively.

The minimum rentals to be received under non-cancelable leases with remaining terms in excess of one year are as follows:

Fiscal year ending June 30,

2018	\$ 118,895
2019	111,724
2020	112,746
2021	70,840
2022	66,683
2023-2027	229,500
2028-2032	229,500
2033-2034	<u>61,200</u>
Total	<u>\$ 1,001,088</u>

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5. LEASES AND LICENSES (continued):

Licensing Agreements

Beginning in fiscal year 2017, the Network manages licensing contracts for all state towers. Under these license agreements, the Network received rent of \$491,327 for the year ended June 30, 2017.

The minimum rentals to be received under non-cancelable leases with remaining terms in excess of one year are as follows:

Fiscal year ending June 30,

	2018	\$ 567,271
	2019	527,333
	2020	471,227
	2021	349,814
	2022	<u>194,300</u>
	Total	<u>\$ 2,109,945</u>

NOTE 6. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2017 was as follows:

	<u>Balances, July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances, June 30, 2017</u>	<u>Due Within One Year</u>
Accrued compensated absences and related benefits	\$ 1,194,718	\$ 689,062	\$ 666,597	\$ 1,217,183	\$ 690,857
Net pension liability	<u>12,077,219</u>	<u>1,057,381</u>	<u>-</u>	<u>13,134,600</u>	<u>-</u>
	<u>\$13,271,937</u>	<u>\$1,746,443</u>	<u>\$ 666,597</u>	<u>\$ 14,351,783</u>	<u>\$ 690,857</u>

Long-term liability activity for the year ended June 30, 2016 was as follows:

	<u>Balances, July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances, June 30, 2016</u>	<u>Due Within One Year</u>
Accrued compensated absences and related benefits	\$ 1,148,380	\$ 616,017	\$ 569,679	\$ 1,194,718	\$ 811,103
Net pension liability	<u>11,079,109</u>	<u>998,110</u>	<u>-</u>	<u>12,077,219</u>	<u>-</u>
	<u>\$12,227,489</u>	<u>\$1,614,127</u>	<u>\$ 569,679</u>	<u>\$ 13,271,937</u>	<u>\$ 811,103</u>

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7. RELATED PARTY:

A significant portion of the funding of the Network is provided by the ETV Endowment of South Carolina, Inc. (the "Endowment") and South Carolina Educational Communications, Inc. (Communications), separately chartered eleemosynary corporations governed by independent boards of trustees over whom the Network exercises no control. The Endowment and Communications provide support services for the Network through the purchasing and underwriting of various programming. The Network recorded contribution revenue of approximately \$5,841,000 and \$6,265,000 during the years ended June 30, 2017 and 2016, respectively, from the Endowment and Communications.

NOTE 8. TRANSACTIONS WITH OTHER STATE AGENCIES:

The Network has significant transactions with the State and various State agencies. Services received at no cost from State agencies include maintenance of certain accounting records and payroll and disbursement processing from the Comptroller General; debt assistance services, check preparation and banking from the State Treasurer; legal services from the Attorney General; and records storage from the Department of Archives and History. Other services received at no cost from the various divisions of the Department of Administration, State Fiscal Accountability Authority, and the South Carolina Public Employee Benefit Authority ("PEBA") include retirement plan administration, insurance plan administration, procurement services, grant services, personnel management, assistance in the preparation of the State Budget, property management and record keeping, review and approval of certain budget amendments and other centralized functions.

The Network had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the Department of Administration, the State Fiscal Accountability Authority, and PEBA for retirement and insurance plan contributions, insurance coverage, printing, telephone, and interagency mail. Approximately \$60,000 and \$61,000 was paid to the State Accident Fund and the Department of Employment and Workforce for worker's compensation and unemployment insurance during the years ended June 30, 2017 and 2016, respectively.

The Network provided no services free of charge to other State agencies during the fiscal years ended June 30, 2017 and 2016. Revenues of approximately \$2,060,000 and \$2,300,000 were received from various State agencies in both 2017 and 2016.

During the fiscal years ended June 30, 2017 and 2016, the Network purchased services with a total cost of approximately \$730,000 and \$477,000, respectively from various State agencies. These expenditures are primarily for taxes, insurance, telecommunications and other contracted services.

NOTE 9. PENSION PLAN:

The Network participates in the State of South Carolina's retirement plans, which are administered by the PEBA, which was created July 1, 2012, and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as co-trustee of the Systems in conducting that review.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 9. PENSION PLAN (continued):

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

- The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.
- The State Optional Retirement Program ("State ORP") is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.
- The Network does not participate in the Police Officers Retirement System ("PORS").

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.75 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 9. PENSION PLAN (continued):

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of the benefit terms for each system is presented below.

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

As noted earlier, both employees and the Network are required to contribute to the Plans at rates established and as amended by PEBA. The Network's contributions are actuarially determined but are communicated to and paid by the Fund as a percentage of the employees' annual eligible compensation. Required employer and employee contribution rates for the past three years are as follows:

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. PENSION PLAN (continued):

Contributions (continued)

	SCRS Rates			ORP Rates		
	2017	2016	2015	2017	2016	2015
Employer Contribution Rate						
Retirement	11.41%	10.75%	10.75%	11.41%*	10.75%*	10.75%*
Incidental Death Benefit	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
Employee Contribution Rate	8.66%	8.16%	8.00%	8.66%	8.16%	8.00%

* Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

The required contributions and percentages of amounts contributed by the Network to the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Required	% Contributed
2017	\$ 658,590	100%
2016	650,816	100%
2015	619,279	100%

Eligible payrolls of the Fund covered under the Plans for the past three years were as follows:

Year Ended June 30,	Covered Payroll
2017	\$ 5,884,412
2016	5,681,459
2015	5,961,321

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. As a result of the experience study, the actuary recommended adjustments to the actuarial assumptions, which included salary increase, payroll growth, mortality, retirement, terminations, refunds, disability, inflation, and asset valuation method. The experience study also recommended reducing the long-term investment rate of return assumption, which is a prescribed assumption that is set in state statute by the General Assembly,

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. PENSION PLAN (continued):

Actuarial Assumptions and Methods (continued)

from 7.5% to 7.25%. With the exception of the rate of return, all recommended assumption and method changes were adopted by both the PEBA Board and SFAA, as co-fiduciaries. The General Assembly did not change the assumed annual rate of return during the 2016 legislative session so that assumption currently remains at 7.50%. The newly adopted assumptions and methods will be first used to perform the July 1, 2016, actuarial valuation, the results of which will be used in determining the total pension liability as of the June 30, 2017, measurement date.

The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by the System's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and SFAA, which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the System's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the notes are based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS.

	SCRS
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	3.5% to 12.5% (varies by service)
Benefit adjustments	lesser of 1% or \$500

*Includes inflation at 2.75%

Net Pension Liability

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2017 and 2016 the Network's proportional share of the NPL amounts for SCRS is presented below:

	Total Pension Liability	Plan Fiduciary Net Position	Network's Share of Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
SCRS				
– 2017	\$45,356,214,752	\$ 23,996,362,354	\$13,134,600	52.9%
SCRS				
– 2016	\$44,097,310,230	\$ 25,131,828,101	\$12,077,219	57.0%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The Network's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the years ending June 30, 2017 and 2016, the Network's percentage of the SCRS net pension liability was 0.061492% and 0.063680% respectively.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. PENSION PLAN (continued):

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, actuarial valuations, was based upon the 30 year capital market outlook at third quarter 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation, and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Equity			
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets			
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic			
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit			
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income			
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	<u>100%</u>		<u>5.10%</u>
Inflation for Actuarial Purposes			<u>2.75%</u>
Total Expected Nominal Return			<u>7.85%</u>

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. PENSION PLAN (continued):

Sensitivity Analysis

The following table presents the Network's proportional share of net pension liability calculated using the discount rate of 7.50 percent, as well as what the Network's net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS – 2017	\$ 16,385,054	\$ 13,134,600	\$ 10,428,720
SCRS – 2016	\$ 15,225,922	\$ 12,077,219	\$ 9,438,205

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2016 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2016.

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2017, the Network recognized pension expense of \$1,041,496 which is included in the statement of activities. At June 30, 2017, the Network reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 743,791	\$ —
Differences in actual and expected retirement plan experience	136,156	(14,264)
Net differences between projected and actual earnings on plan investments	1,105,042	—
Change in proportionate share of net pension liability	—	(371,342)
	<u>\$ 1,984,989</u>	<u>\$ (385,606)</u>

The Network reported \$743,791 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Network's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2017. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2017 and 2016 was 4.116 and 4.164 years, respectively, for SCRS.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. PENSION PLAN (continued):

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS
2017	2018	\$ 176,440
2018	2019	105,270
2019	2020	336,852
2020	2021	237,030
Net balance of deferred outflows (inflows) of resources		\$ 855,592

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Network contributes to the South Carolina Retiree Health Insurance Trust Fund ("SCRHITF") and the South Carolina Long-Term Disability Insurance Trust Fund ("SCLTDITF"), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division ("IB"), a part of PEBA. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit.

For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system.

Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.33% of annual covered payroll for 2017 and 2016, 5.00% of annual covered payroll for 2015, and 4.92% of annual covered payroll for 2014. The IB sets the employer contribution rate based on a pay-as-you-go basis. The Network paid approximately \$352,000, \$227,000, and \$246,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2017, 2016, and 2015, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2017 through 2014.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS:

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 29223.

NOTE 11. DEFERRED COMPENSATION PLANS:

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the Network have elected to participate. The multiple-employer plans, created under Internal Revenue Code Section 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee.

The State has no liability for losses under the plans nor are there any employer contributions to these plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

NOTE 12. RISK MANAGEMENT:

The Network is exposed to various risks of loss and maintains State or commercial insurance coverage for certain of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years. The Network pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits except for the deductibles.

State management believes it is more economical to manage certain risks internally and to set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits. This type of claim is handled through the South Carolina Department of Employment and Workforce.
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries. This type of claim is handled by the State Accident Fund.
3. Claims of covered public employees for health and dental insurance benefits. This type of claim is handled by the South Carolina Public Employee Benefit Authority – Insurance Benefits.
4. Claims of covered public employees for long-term disability and group-life insurance benefits. This type of claim is handled through the South Carolina Public Employee Benefit Authority – Insurance Benefits.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 12. RISK MANAGEMENT: (continued)

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other coverage listed above are through the applicable State self-insurance plan except dependent and optional life premiums which are remitted to commercial carriers.

The Network and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following assets, activities, and/or events:

1. Theft of, damage to, or destruction of assets;
2. Real property, its contents, and other equipment;
3. Motor vehicles;
4. Torts; and
5. Natural disasters.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability. The IRF's rates are determined actuarially.

The Network obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. The limit is \$100,000 per incident with a \$1,000 deductible. The Network self-insures above this amount because it feels the likelihood of loss is remote. No payments for uninsured losses were made during the fiscal year ended June 30, 2016.

The Network obtains broadcaster liability insurance through a commercial carrier covering media liability. The policy has a limit of \$1,000,000 with a \$10,000 deductible.

The Network has recorded insurance premium expenses in the applicable program expenditure category. These expenses do not include estimated claim losses and estimable premium adjustments.

The Network has not reported an estimated claims loss expenditure, and the related liability at June 30, 2017, based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which states that a liability for claims must be reported if information prior to issuance of the financial statements indicates that it is probable and estimable for accrual that an asset has been impaired or liability has been incurred on or before June 30, 2017 and the amount of the loss is reasonably estimable have not been satisfied.

In the fiscal year ended June 30, 2017, the Network was unable to obtain business interruption insurance at a cost it considered economically justifiable. In addition, the Network's management believes for risk of loss the occurrence of which it considers a remote likelihood, it is more economical to manage such risks internally. The Network does not derive any revenue from advertising; therefore, no loss of revenue would occur if transmission capabilities were impaired.

The Network is unable to estimate lost revenues, the costs of relocation and temporary facilities for continuing operations, and the cost of replacement facilities for uninsured losses. During the fiscal year ended June 30, 2017, the Network did not experience any losses as a result of business interruption.

In management's opinion, claim losses in excess of insurance coverage, if any, is unlikely and if it occurred, would not be significant. Therefore, no loss accrual has been made in these financial statements. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expense and liability should be accrued at year-end.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13. BROADBAND SPECTRUM LEASE:

In November 2009, the State and the Network entered into a 30-year lease for excess spectrum capacity of broadband licenses managed by the Network and licensed from the Federal Communications Commission ("FCC"). For the first six months of the agreement, the funds went to the General Fund of South Carolina.

Beginning in July of 2011, the Network began to receive broadband spectrum lease funding that was collected and transferred by the Budget and Control Board (was succeeded by the Department of Administration). Beginning February 2013, the payments were made directly to the Network. The Network received \$3,408,943 during 2017 and 2016 and this is included in intergovernmental revenue.

Rental payments pursuant to the terms of the lease to be received in the future are as follows:

Fiscal year ending June 30,	
2018	\$ 3,408,943
2019	3,408,943
2020	3,664,616
2021	3,920,284
2022	3,920,284
2023-2027	21,071,528
2028-2032	24,232,258
2033-2037	28,096,715
2038-2039	<u>9,081,165</u>
Total	<u>\$ 100,804,736</u>

NOTE 14. SUBSEQUENT EVENTS:

Management of the Network has evaluated events subsequent to year end and through February 9, 2018, which is the date these financial statements were available to be issued. Except as noted below, there were no subsequent events required to be disclosed in these financial statements.

In July 2017, the Network received \$43,162,610 in spectrum auction proceeds from the FCC. These funds were in exchange for the Network's relinquishment of spectrum associated with one of the network's upstate television channels whose signal overlaps with another Network signal. According to the terms of the proviso (8.2), the Network will retain \$35 million of the proceeds, which are in a restricted account for capital expenditures to be utilized to shore up the Network's infrastructure of towers and other equipment and building structures across the State. The balance was transferred to the Department of Education, per the proviso. The Network has developed a five-year capital plan for investment of these proceeds.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS, UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Internal Administration	\$ 1,883,500	\$ 2,304,725	\$ 2,240,728	\$ 63,997
Programs & Services:				
Engineering Administration	493,500	462,346	222,714	239,632
Transmissions & Reception	4,246,989	4,001,540	3,476,459	525,081
Communications	260,000	219,362	208,640	10,722
Education	1,846,000	2,646,320	2,515,604	130,716
Agency Local Other Education Services	1,005,000	681,512	671,695	9,817
Training & Assessment	185,000	150,267	149,620	647
Radio Content	1,495,000	1,628,669	1,356,420	272,249
National Content	2,092,000	2,134,697	2,071,367	63,330
Local & Transparency	2,638,600	2,092,678	1,861,622	231,056
Regional Operations	405,000	447,300	404,564	42,736
Development/Fundraising	235,000	277,574	254,101	23,473
Underwriting	200,000	212,144	204,293	7,851
Marketing	60,000	33,000	21,709	11,291
Statewide employer contributions	2,146,943	2,515,074	2,448,802	66,272
	<u>\$ 19,192,532</u>	<u>\$ 19,807,208</u>	<u>\$ 18,108,338</u>	<u>\$ 1,698,870</u>

See independent auditor's report.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS, UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Internal Administration	\$ 1,833,500	\$ 1,796,755	\$ 1,721,856	\$ 74,899
Programs & Services:				
Engineering Administration	193,500	207,597	170,146	37,451
Transmissions & Reception	4,331,989	4,096,285	3,369,040	727,245
Communications	260,000	225,002	206,104	18,898
Education	1,846,000	1,984,827	1,603,832	380,995
Agency Local Other Education Services	1,005,000	1,011,354	626,608	384,746
Training & Assessment	185,000	185,222	151,252	33,970
Radio Content	1,395,000	1,961,689	1,679,761	281,928
National Content	2,192,000	2,158,000	2,118,992	39,008
Local & Transparency	2,638,600	2,223,526	1,808,244	415,282
Regional Operations	405,000	423,346	368,893	54,453
Development/Fundraising	235,000	272,110	246,080	26,030
Underwriting	200,000	200,000	164,791	35,209
Marketing	60,000	53,000	33,087	19,913
Statewide employer contributions	2,146,700	2,386,670	2,243,909	142,761
	<u>\$ 18,927,289</u>	<u>\$ 19,185,383</u>	<u>\$ 16,512,595</u>	<u>\$ 2,672,788</u>

See independent auditor's report.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2017**

NOTE 1. BUDGETARY FUNDS

South Carolina's Annual Appropriation Act, the State's legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

General Funds. These funds are general operating funds. The resources in the funds are primarily taxes. The State expends General Funds to provide traditional State government services.

Total Funds. The Total Funds column in the Appropriations Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities but exclude the pension trust funds and some other fiduciary fund activities.

The Network's legally adopted budget is part of the Total Funds budget for the State.

NOTE 2. ORIGINAL AND FINAL BUDGETED AMOUNTS; BASIS OF PRESENTATION

The original appropriations presented in the accompanying schedule for the Network include amounts in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classification, and format of the appropriations section of the accompanying schedule for the Network's governmental funds are substantively the same as for the legally enacted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds which include the Network's Funds. However, Section 115 (*Recapitulations*) of the Appropriation Act includes net *source of funds* amounts (i.e. estimated cash brought forward from the previous fiscal year plus estimated revenue for the current fiscal year minus estimated cash to be carried forward to the following fiscal year) for three categories of Other Budgeted Funds: EIA, Non-Federal and Capital Projects. A budget versus actual comparison for all funds is presented as required supplementary information.

As operating conditions change, the Network may move appropriations between programs and classifications within programs. However, limits are placed on increasing/decreasing authorizations for personal services without SFAA approval. Also, a revision of budgeted amounts over and above the total revenues appropriated requires approval of the SFAA.

NOTE 3: LEGAL LEVEL OF BUDGETARY CONTROL

The Network maintains budgetary control at the level of summary objective category of expenditure within each program of each department or agency which is the level of detail presented in the accompanying schedule.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2017**

NOTE 4: BASIS OF BUDGETING

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is used. State law does not precisely define the State's basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

- Departments and agencies shall charge certain vendor and inter-fund payments against the preceding fiscal year's appropriations through July 14.
- All other revenues are recorded only when the Network receives the related cash.
- The accrual basis is used for other expenditures.

NOTE 5: RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES

Adjustments of the GAAP basis of accounting to the budgetary basis of accounting consist of primarily of reclassifications from financial statement classifications to budgetary fund categories, the accrual and reversal of accounts payable and payroll and related fringe benefits, which exceed the cut off for the Network to charge the previous fiscal year's appropriations. Additionally, acquisitions of capital assets by donation are unbudgeted.

	For the Years Ended June 30,	
	2017	2016
Total Expenditures, budgetary basis	\$ 18,108,338	\$ 16,512,595
Basis of accounting differences:		
Change in accrued salaries	132,186	13,059
Change in accounts payable	(34,276)	46,977
Other basis differences:		
Capital outlay	2,226,440	688,284
Expenditures reimbursed by Endowment support	2,055,242	2,571,338
Compensated absences	22,465	46,339
Encumbrances for supplies and equipment ordered but not received	51,123	-
Total Expenditures	\$ 22,561,518	\$ 19,878,592

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
SCHEDULE OF SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM
AS OF JUNE 30, 2017
LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
SCETV's proportion of the net pension liability	0.061492%	0.063680%	0.0643510%	0.0643510%
SCETV's proportionate share of the net pension liability	\$ 13,134,600	\$ 12,077,219	\$ 11,079,109	\$ 11,542,274
SCETV's covered payroll	\$ 5,884,412	\$ 5,681,459	\$ 5,961,321	\$ 6,754,717
SCETV's proportionate share of the net pension liability as a percentage of covered payroll	223.21%	212.57%	185.85%	170.88%
Plan fiduciary net position as a percentage of the total pension liability	52.9%	57.0%	59.9%	56.4%

Note that amounts were determined as of June 30, of the prior year.

See independent auditor's report.

SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION
SCHEDULE OF SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION'S
CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
AS OF JUNE 30, 2017
LAST TEN FISCAL YEARS

	2017	2016	2015	2014	2013
Contractually required contribution	\$ 658,590	\$ 650,816	\$ 619,279	\$ 631,900	\$ 716,000
Contributions in relation to the contractually required contribution	658,590	650,816	619,279	631,900	716,000
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
SCETV covered payroll	5,697,145	5,884,412	5,681,459	5,961,321	6,754,717
Contributions as a percentage of the covered payroll	11.56%	11.06%	10.90%	10.60%	10.60%
	2012	2011	2010	2009	2008
Contractually required contribution	\$ 716,000	\$ 752,000	\$ 874,000	\$ 917,900	\$ 795,500
Contributions in relation to the contractually required contribution	716,000	752,000	874,000	917,900	795,500
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
SCETV covered payroll	7,505,241	8,008,520	9,307,774	9,775,293	8,637,351
Contributions as a percentage of the covered payroll	9.54%	9.39%	9.39%	9.39%	9.21%

See independent auditor's report.



**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

Mr. George L. Kennedy III, CPA
State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the South Carolina Educational Television Commission (the "Network") as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Network's basic financial statements and have issued our report thereon dated February 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Network's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Network's internal control. Accordingly, we do not express an opinion on the effectiveness of the Network's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Network's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2017-001 and 2017-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Network's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Network's Response to Findings

The Network's response to the finding identified in our audit is described in the accompanying schedule of findings. The Network's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Network's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Network's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Scott and Company LLC

Columbia, South Carolina
February 9, 2018

**South Carolina Educational Television Commission
Schedule of Findings**

Year Ended June 30, 2017

Section I—Summary of Auditor’s Results

Financial Statements:

We have issued an unmodified opinion dated February 9, 2018 on the basic financial statements of the South Carolina Educational Television Commission.

Internal control over financial reporting:

- | | |
|---|---------------|
| • Material weaknesses identified? | Yes |
| • Significant deficiencies identified? | None Reported |
| • Noncompliance material to financial statements noted? | No |

**South Carolina Educational Television Commission
Schedule of Findings**

Year Ended June 30, 2017

Section II- Financial Statement Findings:

Conditions Considered to be a Material Weakness:

2017-001: Original Trial Balance Needed Adjustments

Condition:

Our audit found that the Network's original trial balance provided to us needed material adjustments.

Criteria:

Generally accepted accounting principles require that amounts be properly reported in the financial statements and note disclosures.

Cause:

The adjustments noted above appeared to be caused by the significant amount of turnover within the Network's accounting department including the resignation of the Network's chief financial officer shortly before year-end.

Effect:

Misstatement of prepaid expenses and property and equipment was noted. Material adjusting journal entries were proposed in each of these areas.

Recommendation:

The Network has already engaged the National Educational Television Association ("NETA") to assist in certain areas of financial reporting related to the Network's community service grant report to CPB, the South Carolina Department of Administration to assist in preparing reports and making adjustments, and a third party Certified Public Accounting firm to assist in financial statement preparation. We recommend the Network continue to use these resources as well as hire a full time Chief Financial Officer with the requisite experience to ensure the proper adjustments are made at year-end.

**South Carolina Educational Television Commission
Schedule of Findings**

Year Ended June 30, 2017

2017-002: Untimely Preparation of Account Reconciliations and Supporting Schedules

Condition:

Our audit found that the Network's account reconciliations and supporting schedules for the financial statements were not timely prepared. The audit was scheduled to begin in November 2017 and ended up being delayed until January 2018. The proper account reconciliations and supporting schedules were still not ready in January of 2018.

Criteria:

The Network is required to submit audited financial statements to the CPB by December 31st each year.

Cause:

The untimely preparation appeared to be caused by the significant amount of turnover within the Network's accounting department including the resignation of the Network's chief financial officer shortly before year-end.

Effect:

The audit was not able to begin as scheduled causing multiple extension requests and also put the Network at risk of incurring possible fees from the Corporation for Public Broadcasting ("CPB").

Recommendation:

The Network has already engaged the National Educational Television Association ("NETA") to assist in certain areas of financial reporting related to the Network's community service grant report to CPB, the South Carolina Department of Administration to assist in preparing reports and making adjustments, and a third party Certified Public Accounting Firm to assist in financial statement preparation. We recommend the Network continue to use these resources as well as hire a full time Chief Financial Officer with the requisite experience to ensure the proper adjustments are made timely at year-end.

Summary Schedule of Prior Audit Findings:

During our current audit, we reviewed the status of corrective action taken on the findings reported on the Network's financial statements for the year ended June 30, 2016, dated June 7, 2017. The following findings were reported:

- 2016-001 Original Trial Balance Needed Adjustments
- 2016-002 Untimely Preparation of Account Reconciliations and Supporting Schedules

We found that corrective action was not taken on the above findings for fiscal year 2017 and therefore, we have repeated the comments as findings 2017-001 and 2017-002.



Anthony Padgett

President and CEO of South Carolina ETV
apadgett@sctev.org • (803) 737-3240

South Carolina Educational Television Commission Management Response

February 09, 2018

The South Carolina Educational Television Commission respectfully submits the following corrective action plan for the year ended June 30, 2017.

Name and address of independent public accounting firm: Scott and Company LLC, PO Box 8388, Columbia, SC 29202

Audit Period: July 1, 2016 – June 30, 2017

The finding is discussed below:

2017-1: Original Trial Balance Needed Adjustments

2017-2: Untimely Preparation of Account Reconciliations and Supporting Schedules

Recommendation:

The Network has already engaged the National Educational Telecommunications Association (NETA) to assist in certain areas of financial reporting related to the Network's community grant report to CPB. The Network should implement a back-up plan and other procedures to ensure that all financial statement balances and related note disclosures are properly reported even when significant turnover or a natural disaster has occurred. This would likely need to include hiring another independent accounting firm to assist the accounting department in completing the account reconciliations, financial statements and related notes.

Action Taken:

The Network is working closely with an external accounting firm to assist in account reconciliations, financial statements and related notes and is implementing process changes as necessary. In addition, NETA has been retained to provide additional financial analysis and services. To help ensure consistency, the Network will also develop SOP's.

If you have any questions or if additional information is needed, please contact Anthony Padgett at (803) 737-3240.

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony Padgett", with a long horizontal flourish extending to the right.

Anthony Padgett
President